

FORM MR-RC
Revised 2/17/89
RECLAMATION CONTRACT

File Number M/027/007
Effective Date _____

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340

RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/027/007
(Mineral Mined) Gold

"MINE LOCATION":

(Name of Mine)	<u>Drum Mine</u>
(Description)	<u>Drum Mountain Project</u>
	<u>Millard & Juab Counties, Utah</u>

"DISTURBED AREA":

(Disturbed Acres)	<u>Approx. 126 Acres Drum Mine *(1)</u>
(Legal Description)	<u>Exhibit A</u>

"OPERATOR":

(Company or Name)	<u>Jumbo Mining Company</u>
(Address)	<u>6305 Fern Spring Cove</u>
	<u>Austin, Texas</u>
	<u>78730</u>
(Phone No.)	<u>(512) 346-4537</u>

*(1) plus approximately 11 acres for Drum Mountain Project permit amendment

"OPERATOR'S REGISTERED AGENT":

(Name)

(Address)

(Phone No.)

Prentice Hall

Corporate Services

P O Box 102670

Atlanta, Georgia 30368-0670

800-221-0770

"OPERATOR'S OFFICER(S)":

E. B. King

Janet King

"SURETY":

(Form of Surety - Exhibit B)

U. S. Treasury Bills

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Irving Trust (New York) - to hold securities
as custodial agent for Utah State Treasurer

"SURETY AMOUNT":

(Escalated Dollars)

\$162,000

"ESCALATION YEAR"

1994

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

EXHIBITS:

Revision Dates:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Operator and the Board.

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/027/007 which has been approved by the Division under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim the Disturbed Area in accordance with Operator's approved Reclamation Plan and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

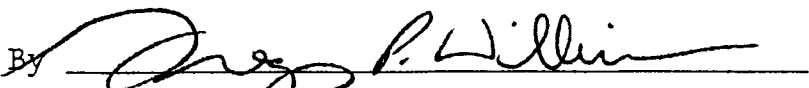
1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the Notice of Intention, and the Reclamation Plan.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board, which surety is in the form of the surety attached hereto as Exhibit B and made a part hereof. The surety shall remain in full force and effect according to its terms unless modified by the Board in writing.
3. Operator agrees to pay public liability and property damage claims resulting from mining as determined by the Board or the Division, to the extent provided in the Act.

4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, and the Reclamation Plan.
5. The Operators liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention and the Reclamation Plan.
6. Operator agrees to indemnify and hold harmless the State, Board and Division from any claim, demand, liability, cost charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents, and employees, or contractor to comply with this Contract.
7. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
8. This Contract shall be governed and construed in accordance with the laws of the State.
9. If Operator shall default in the performance of the obligations heretofore, Operator agrees to pay all costs and expenses, including attorneys fees and costs generated by the Division and/or the Board in the enforcement of this Contract.

10. Any breach of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Division, or Board, as appropriate, may revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety, or take such other action as is authorized by law.
11. In the event of forfeiture of the Surety, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this contract. Any excess monies resulting from forfeiture of the Surety, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
12. This Contract represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
13. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

SO AGREED this 4th day of August, 1989.

APPROVED AS TO FORM AND AMOUNT OF SURETY:

By 
Chairman, Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By

Director

Dianne R. Nielson

Date

8/4/89

STATE OF

Utah

)

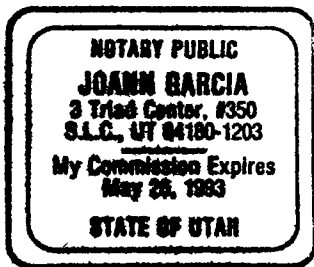
COUNTY OF

Salt Lake

)

SS:

On the 4th day of August, 19 89, personally appeared before me, who being by me duly sworn did say that he/she, the said Dianne R. Nielson is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she duly acknowledged to me that he/she executed the foregoing document by authority of law on behalf of the State of Utah.



Notary Public

Residing at:

Joann Garcia

S.L.C., UT

5/26/93
My Commission Expires:

OPERATOR:

By E. B. King President

Corporate Officer - Position

July 27, 1989

Date

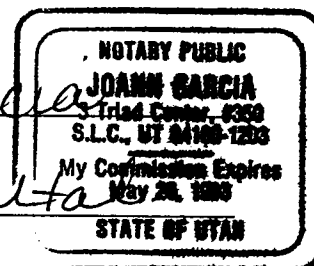
STATE OF UTAH)

) ss.

COUNTY OF SALT LAKE)

On the 27th day of July, 1989, personally appeared before me E. B. King who being by me duly sworn did say that he/she, the said E. B. King is the President of Jumbo Mining Company and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said E. B. King duly acknowledged to me that said company executed the same.

Joann Garcia
Notary Public
Residing at: SLC, Utah



5/26/93

My Commission Expires:

Note: See Replacement
Page, Signed By
State of Utah
Chief Deputy State Treasurer

Company Officer - Position

Date

STATE OF _____)
) SS:
COUNTY OF _____)

Notary Public

Residing at:

My Commission Expires:

NOTE: An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Contract.

RECEIVED
AUG 03 1989

DIVISION OF
OIL, GAS & MINING

State of Utah
Office of the State Treasurer


Larry W. Richardson
Chief Deputy State Treasurer

August 2, 1989

STATE OF UTAH

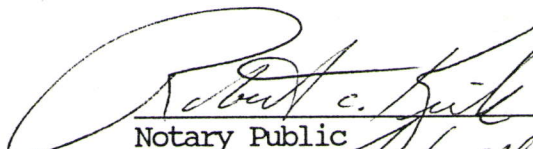
)

) ss:

COUNTY OF SALT LAKE

)

On the 3rd day of August, 1989, personally appeared before me Larry W. Richardson who being by me duly sworn did say the he, the said Larry W. Richardson is the Chief Deputy State Treasurer of the State of Utah and duly acknowledged that said certificate was signed on behalf of the Office of the State Treasurer under its constitutional authority and said Larry W. Richardson duly acknowledged to me that the Office of the State Treasurer executed the same.


Notary Public
Residing at: Taylorville, Ut

6/15/91
My Commission Expires

ATTACHMENT

EXHIBIT - A

RECLAMATION CONTRACT, FORM MR-RC

DRUM MINE & DRUM MOUNTAIN PROJECT PERMIT AMENDMENT

JUMBO MINING COMPANY

JULY 26, 1989

Legal Descriptions of Disturbed Areas:

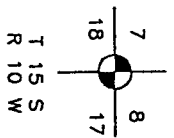
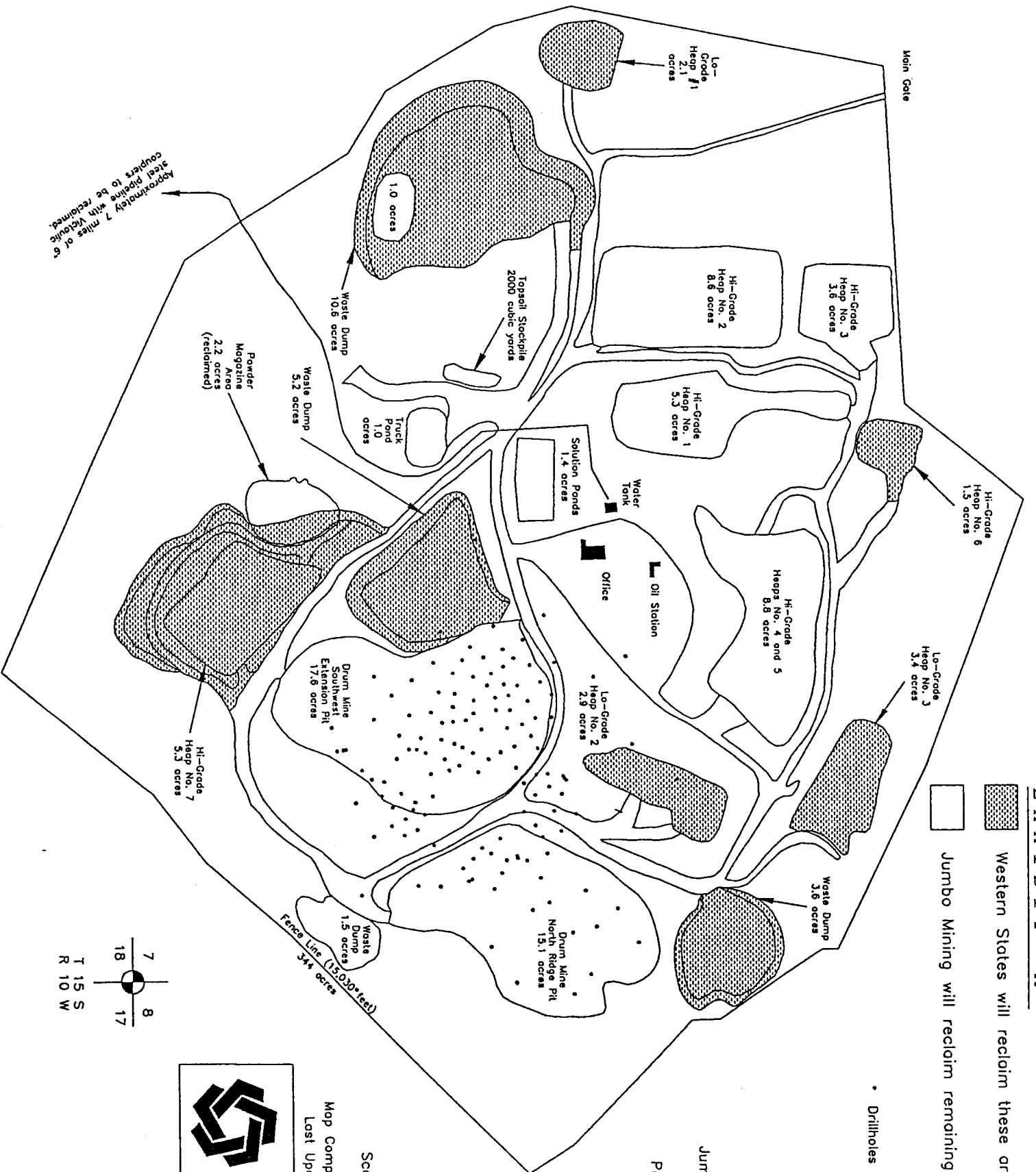
DRUM MINE - portions of Section 7, Township 15 South, Range 10 West, Millard County, Utah, SLBM.

DRUM MOUNTAIN PROJECT AMENDMENT - portions of Sections: 35 and 36, Township 14 South, Range 11 West, Sections 6, 7 & 8, Township 15 South, Range 10 West, and Section 1, Township 15 South, Range 11 West, Juab and Millard Counties, Utah, SLBM.

dwh
MN2/39

EXHIBIT "A"

Western States will reclaim these areas (41.8 acres).
Jumbo Mining will reclaim remaining areas (83.9 acres).



State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining

Map Compiled December 5, 1988
Last Update: July 26, 1989

Scale: 1" = 600'

Jumbo Mining Company
M/027/007
Drum Mine Site
Present Disturbance



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Norman H. Bangerter
Governor
Dee C. Hansen
Executive Director
Dianne R. Nielson, Ph.D.
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

DOGM
MINERALS PROGRAM
FILE COPY

August 4, 1989

Mr. E. B. King, President
Jumbo Mining Company
6305 Fern Spring Cove
Austin, Texas 78730

Dear Mr. King:

Re: Approval of Permit Transfer and the Amount and Form of Reclamation Surety,
Drum Mountain Project and Drum Mine, M/027/007, Millard and Juab Counties,
Utah

On July 27, 1989, the Board of Oil, Gas and Mining granted its concurrence on the amount and form of reclamation surety proposed by Jumbo Mining Company (JUMBO) for the Drum Mine and permit amendment (Drum Mountain Project) in Millard and Juab Counties, Utah. Jumbo has resolved the permitting concerns which remained to allow Jumbo's continued operation of the Drum Mine and to initiate construction on the Drum Mountain Project.

Jumbo Mining Company has provided a reclamation surety in the amount of \$162,000 for reclamation of the Drum Mine and Drum Mountain Project. The surety is posted in U. S. Treasury Bills and is held by the Office of the State Treasurer in the name of the Division of Oil, Gas and Mining, and the Bureau of Land Management.

The Division hereby approves of the Drum Mine permit transfer from Western States Mining Corporation, pursuant to the conditions as outlined in the signed permit transfer document. Jumbo is hereby approved to proceed with development of the Drum Mountain Project according to the approved plans.

We will forward a copy of the final, signed, permit documentation as soon as possible. Thank you for your cooperation in completing this permitting action. Please contact me or D. Wayne Hedberg should you have questions pertaining to the contents of this letter.

Sincerely,

Lowell P. Braxton
Associate Director, Mining

DWH/jb
cc: Allan Cerny, WSMC
Jerry Mansfield, State Lands
Don Ostler, BWPC
F. Rex Rowley, BLM, House Range Resource Area
Wayne Hedberg, DOGM

EDWARD W. CLYDE
ELLIOTT LEE PRATT
RODNEY G. SNOW
STEVEN E. CLYDE
THEODORE BOYER, JR.
EDWIN C. BARNES
GARY L. PAXTON
L. MARK FERRE
NEIL A. KAPLAN*
JOHN W. ANDERSON
D. BRENT ROSE
JAMES L. WARLAUMONT
H. MIFFLIN WILLIAMS III
STEPHEN B. DOXEY
ANNELI R. SMITH

*ADMITTED IN WASHINGTON, D.C.

CLYDE, PRATT & SNOW

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

200 AMERICAN SAVINGS PLAZA
77 WEST SECOND SOUTH
SALT LAKE CITY, UTAH 84101

PHONE 322-2516
AREA CODE 801

TELECOPIER:
(801) 322-2516 EXT 56

FILE NO.

July 11, 1989

RECEIVED
JUL 11 1989

Department of Natural Resources
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

DIVISION OF
OIL, GAS & MINING

RE: Jumbo Mining - Drum Mine Transfer of Permit


Gentlemen:

Enclosed please find the Transfer of Notice of Intention Large Mining Operations form MR-TRL, which has been executed by the transferor, Western States Minerals Corporation, and the transferee, Jumbo Mining Company.

I assume this will reach you in time to place this transfer request on the agenda for the July 27 meeting of the board. Should you have any questions regarding this, please do not hesitate to contact me.

Sincerely,

CLYDE, PRATT & SNOW, P.C.


Steven E. Clyde

SECjl
Enclosure
cc: Ed King

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340

RECEIVED
JUL 11 1989

TRANSFER OF NOTICE OF INTENTION
LARGE MINING OPERATIONS

DIVISION OF
OIL, GAS & MINING

---ooOoo---

1. (a) Notice of intention to be transferred (file number): M/027/007
(b) Name of mining operation: Drum Mine
(c) Location of mining operation (county): Millard, Juab
(d) Name, telephone number and mailing address of the operator currently holding the notice of intention (transferor):
Western States Minerals Corporation
4975 Van Gordon Street
Wheatridge, Colorado 80033
2. (a) Name, telephone number and mailing address of the operator acquiring the notice of intention (transferee):
Jumbo Mining Company
6305 Fern Spring Cove
Austin, Texas 78730 512- 346-4537
(b) Name, telephone number and address of the authorized representatives of the Transferee to whom any notices under the provisions of the Utah Mined Land Reclamation Act may be sent:
Same as above Mr. E.B. King
3. (a) The total disturbed area identified in the approved notice of intention: 143.7 acres original; 126 revised acres
(b) The actual number of acres disturbed by the operation through date of transfer: 126 acres
(c) Attach a legal description of above acreages as Appendix "A" and a map of suitable scale with actual disturbed areas clearly shown and identified.
4. This application must be accompanied by a fully executed and signed Reclamation Contract (Form MR-RC).

SWORN STATEMENT OF TRANSFEROR

I, ALLAN R. CERNY being first duly sworn under oath, deposes and says that I am SECRETARY (officer or agent) of WESTERN STATES MINERALS CORPORATION; (Corporation/Company Name) and that I am duly authorized to execute and deliver the foregoing obligations; that I have read the said application and fully know the contents thereof; that all statements contained in the transfer application are true and correct to the best of my knowledge and belief based upon the attached map and calculations forwarded to me by E. B. King of Jumbo Mining Company. By execution of this statement I certify that the Transferor is in full compliance with the Utah Mined Land Reclamation Act, the Rules and Regulations Promulgated thereunder, and the terms and conditions of Notice of Intention No. M/027/007.

Western States Minerals Corporation hereby makes no representation in regard to the allocation of responsibility for reclamation as between Western States Minerals Corporation and Jumbo Mining Company.

Allan R. Cerny
Signature
ALLAN R. CERNY
Name (Typed or Print)
SECRETARY - WSMC
Title

Subscribed and sworn before me this 10 day of July, 1989.

John Ruppel
Notary Public

My commission expires:
August 2, 1991.

State of Colorado)
County of Jefferson) ss.

FINAL SWORN STATEMENT OF TRANSFEREE

E.B. King being first duly sworn under oath,
depose and say that I am President
(officer or agent)
of Jumbo Mining Company; and that I am duly authorized to
(Corporation/Company Name)

execute and deliver the foregoing obligations; that I have read the
application and fully understand the contents thereof; that all statements
contained in the transfer application are true and correct to the best of my
knowledge and belief. By execution of this statement, the Transferee agrees
to be bound by the terms and conditions of Notice of Intention
No. M/027/007, the Utah Mined Land Reclamation Act, and the Rules and
Regulations promulgated thereunder.

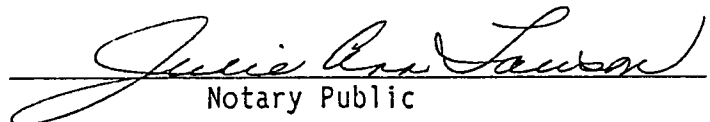


Signature

Name (Typed or Print) E.B. King

Title President

Subscribed and sworn before me this 10th day of July, 19 89.


Notary Public

My commission Expires:

February 10, 19 90.

State of Utah)
County of Salt Lake) ss.

CERTIFICATION OF APPROVAL

This is to certify that I have examined the foregoing application and do hereby grant the same, subject to the following limitations and conditions:

- (a) This transfer of notice of intention grants only the right to affect the lands described in Appendix "A".
- (b) The transferee has provided to the Division a fully executed and signed Reclamation Contract (Form MR-RC). The surety shall be effective on the date of transfer.
- (c) The transferee, or such other person as required by UCA 1953, Title 40-8, has acquired legal right to mine for lands described in Appendix "A".

COMMENTS:

Additional Conditions of Transfer - See Attachment 1

APPROVED: _____

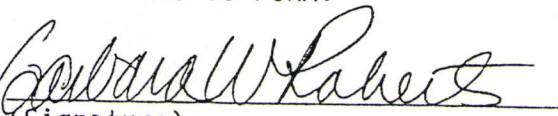
(Signature)

Director, Division of Oil, Gas and Mining

Effective Date: _____

NOI No.: _____

APPROVED AS TO FORM:



(Signature)

Assistant Attorney General

MN9/45-48

ATTACHMENT 1

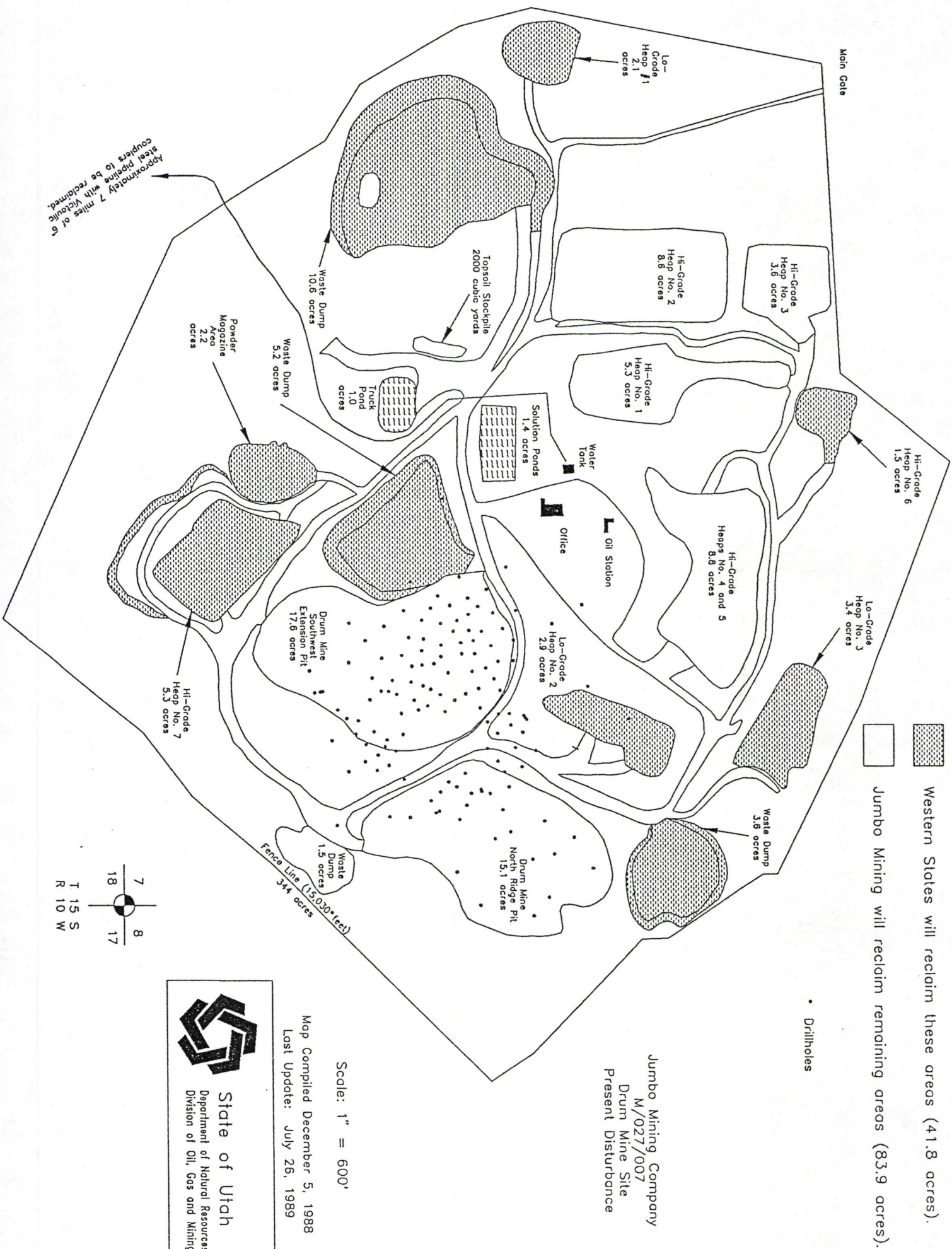
Transfer of Notice of Intention No. M/027/007
Certification of Approval
Conditions of Transfer

July 25, 1989

Conditions of Transfer (continued)

- (d) The Division will continue to hold the Transferor responsible for the reclamation of approximately 42 acres of existing Drum Mine surface disturbance, as delineated in Appendix A.
- (e) The Division will hold the Transferee responsible for the reclamation of approximately 84 acres of existing Drum Mine surface disturbance, as delineated in Appendix A.
- (f) The Transferor will retain responsibility for resolving the topsoil deficiency issue.
- (g) The Transferee's 84 acre Drum Mine reclamation responsibility includes posting a reclamation surety of \$143,000, based on reclamation calculations from Appendix A information.
- (h) An additional 11 acres of surface disturbance will be approved as an amendment to the Drum Mine permit. The Transferee will provide an additional \$19,000 reclamation surety amount for the proposed amendment (Drum Mountain Project).
- (i) The Division will retain possession of the Transferor's \$264,080 reclamation surety bond, until the topsoil deficiency issue and the question of ultimate Drum Mine reclamation responsibility between the Transferor and Transferee is resolved.
- (j) Resolution of the reclamation responsibility question may ultimately require an additional adjustment to the Transferee's reclamation surety amount.

jb
MN3/52





Norman H. Bangerter
Governor
Dee C. Hansen
Executive Director
Dianne R. Nielson, Ph.D.
Division Director

State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

DOCS
MINERALS PROGRAM
FILE COPY

February 28, 1990

CERTIFIED RETURN RECEIPT REQUESTED
P 074 978 655

Mr. E. B. King, President
Jumbo Mining Company
6305 Fern Spring Cove
Austin, Texas 78730

Dear Mr. King:

Re: Reinitiation of Heap Leaching Operations, No. 2 (L.G.) and No. 7, Drum Mine, M/027/007, Millard County, Utah

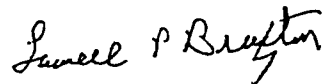
This letter is intended to formalize our position regarding Jumbo Mining Company's (JMC) proposed test leaching program for the No 2 (L.G.) and No. 7 leach pads at the Drum mine site. On November 27, 1989, the State Bureau of Water Pollution Control issued a conditional approval allowing JMC to initiate a 60-day test leach of pads No. 2 (L.G.) and No. 7. Your December 4, 1989 letter to Don Ostler (Bureau of Water Pollution Control), indicated you had started leaching pad No. 7. Sprinkling of pad No. 2 was to follow within a 7-10 day period.

On February 26th, we received a letter from Western States Mining Corporation (WSMC) regarding reactivation of these heaps. WSMC has indicated that they object to JMC performing any work on areas of the mine site which have not been formally transferred and bonded by JMC. Pads No.2 (L.G.) and 7 remain under WSMC's control. JMC chose not to assume responsibility for certain portions of the mine site when the permit was transferred from WSMC.

Page 2
Jumbo Mining Co.
M/027/007
February 28, 1990

Therefore, until we receive written notification from WSMC allowing JMC to conduct mining operations on these pads, we cannot permit leaching operations to be reinitiated. While the Division will not allow leaching for recovery of precious metals until the permit has been appropriately amended, I would not preclude Jumbo's testing of the heap leach liner integrity as required by the Bureau of Water Pollution Control, provided this is not objectional to WSMC. You are hereby advised that subject to the above, any mining activities conducted on properties unpermitted by JMC must be discontinued until approved by this Division.

Sincerely,



Lowell P. Braxton
Associate Director, Mining

jb
cc: Phil Allard, BLM
Steve Clyde, Clyde, Pratt & Snow
Frank Filas, WSMC
Don Ostler, BWPC
Wayne Hedberg, DOGM
WMN/1-2